

**LEMON GROVE SANITATION DISTRICT  
AGENDA ITEM SUMMARY**

**Item No.** 3  
**Mtg. Date** May 3, 2015  
**Dept.** Public Works

**Item Title:** **Ordinance No. 27 – Maintaining the Current Wastewater Rates for Fiscal Year 2016-2017**

**Staff Contact:** Tim Gabrielson, Interim District Engineer and Mike James, Public Works Director

**Recommendation:**

Introduce and conduct the first reading, by title only, of Ordinance No. 27 (**Attachment C**) maintaining current wastewater rates for Fiscal Year 2016-2017.

**Item Summary:**

On June 2, 2014, the Sanitation District Board (Board) passed Ordinance No. 26 reducing the previously approved wastewater rate increase from 3.75 percent to 1.72 percent for Fiscal Year 2014-2015 (FY 2014-15) and FY 2015-16. The rates from a wastewater rate case study, conducted in FY 2010-11 will expire on June 30, 2016. Based on a technical memorandum (**Attachment B**) prepared by the District's consultant, staff recommends maintaining the current rate for FY 2016-17.

The staff report (**Attachment A**) details the District's background information regarding previous rate adjustments as well as staff's recommendation to maintain the current rate for FY 2016-17 by introducing Ordinance No. 27 (**Attachment C**) and conduct the first reading, by title only, maintaining current wastewater rates for Fiscal year 2016-2017.

**Fiscal Impact:**

None.

**Environmental Review:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Not subject to review        | <input type="checkbox"/> Negative Declaration           |
| <input type="checkbox"/> Categorical Exemption, Section [      ] | <input type="checkbox"/> Mitigated Negative Declaration |

**Public Information:**

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> None                     | <input type="checkbox"/> Newsletter article   | <input type="checkbox"/> Notice to property owners within 300 ft. |
| <input type="checkbox"/> Notice published in local newspaper | <input type="checkbox"/> Neighborhood meeting |   |

**Attachments:**

- A. Staff Report
- B. Wastewater Enterprise District Rate Memorandum
- C. Ordinance No. 27



# Attachment A

## LEMON GROVE SANITATION DISTRICT STAFF REPORT

Item No.   3  

Mtg. Date   May 3, 2016  

Item Title: **Ordinance No. 27 – Maintaining the Current Wastewater Rates for Fiscal Year 2016-2017**

Staff Contact: Tim Gabrielson, Interim District Engineer and Mike James, Public Works Director

### Discussion:

On June 2, 2014, the Sanitation District Board (Board) passed Ordinance No. 26 reducing the previously approved wastewater rate increase from 3.75 percent to 1.72 percent for Fiscal Year 2014-2015 (FY 2014-15) and FY 2015-16. These rates were part of the 2011 wastewater rate case study performed to evaluate the current sewer rates relative to the anticipated capital operational and maintenance obligations in the future years.

The rates established in the 2011 wastewater rate case study will end June 30, 2016. Staff advertised a request for qualifications for a current wastewater rate case study on September 24, 2015 and the Board awarded the contract to NBS Government Finance Group (NBS) on December 1, 2015. After reviewing the District's revenues and expenditures and working with staff, NBS determined in a memorandum (**Attachment B**) that the current rate should be maintained through FY 2016-17 for the following reasons:

- The District is not anticipating any increases in expenditures, and
- The District Board has adequately built its reserve funds to anticipate any unforeseen incident that may increase Metro Wastewater charges to the District for transportation and treatment of flow, and
- The current rates and reserve levels are sufficient to meet the projected funding requirements.

While performing its initial analysis, NBS noted that the District is one of only three City of San Diego Metro Wastewater Joint Powers Authority member agencies that still assign a flat fee rate based on a set amount of gallons of water used per day per dwelling unit, the others being the City of Coronado and the County of San Diego. While not incorrect, the District has maintained this methodology since it formed in 1989. By maintaining the current wastewater rate for FY 2016-17 NBS will have additional time to perform a more detailed comparison and study that will explore other rate methodologies other than a flat rate. This will be the focus of the second phase of the wastewater rate study that staff will present for the District Board discussion and direction on May 3, 2016. |

### Conclusion:

Staff recommends that the Sanitation District Board introduce and conduct the first reading, by title only, of Ordinance No. 27 (**Attachment C**) maintaining the current wastewater rates for Fiscal Year 2016-2017.





*San Francisco - Regional Office*  
870 Market Street, Suite 1223  
San Francisco, CA 94102

*Davis - Regional Office*  
140 B Street, Suite 5-292  
Davis, CA 95616

*Temecula - Corporate Headquarters*  
32605 Temecula Parkway, Suite 100  
Temecula, CA 92592

Toll free: 800.676.7516

[nbsgov.com](http://nbsgov.com)

## TECHNICAL MEMORANDUM

---

**TO: STEPHANIE BOYCE, ENGINEERING TECH III  
CITY OF LEMON GROVE**

**FROM: KIM BOEHLER, NBS ASSOCIATE DIRECTOR  
GREG HENRY, UTILITY RATE ANALYST**

**SUBJECT: SUMMARY OF PRELIMINARY FINANCIAL PLAN RESULTS FOR SANITATION DISTRICT**

**DATE: APRIL 27, 2016**

---

### PURPOSE

Lemon Grove Sanitation District (District) retained NBS in December 2015 to conduct a comprehensive rate study for a number of purposes, including meeting long-term revenue requirements, providing revenue stability and adequate funding for capital improvements, and evaluating the rate structure and complying with certain legal requirements<sup>1</sup>, including Proposition 218.

Based on the financial information provided by the District, NBS believes that current rates and reserve levels are sufficient to meet projected funding requirements without a rate increase during FY 2016/17. The tables and descriptions of the financial plan presented in this technical memorandum include preliminary recommendations for rate increases beyond FY 2016/17, to demonstrate the long term impact of the District forgoing a rate adjustment this upcoming fiscal year. However, these values will likely be altered as the rate study moves forward and budget projections are finalized. More detailed results of this initial financial plan are included in the appendix to this memorandum.

The financial forecast presented in this study generates sufficient revenue to meet projected funding requirements, including funding \$7.3 million<sup>2</sup> in the five year capital improvement program for FY 2016/17 to FY 2020/21. The District is also currently reviewing alternative rate structures and methods for calculating equivalent dwelling units (EDUs). This will be detailed further in Phase 2 of this study.

---

<sup>1</sup> Legal requirements such as those imposed by the recent San Juan Capistrano court case (*Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, Opinion G048969, Superior Ct. No 30-2012-00594579, Filed April 20, 2015).

<sup>2</sup> The \$7.3 million in planned capital improvements is listed in Figure 2 and is in current, FY 2015/16 values. Projected cost inflation has been added for purposes of this analysis.

# Attachment B

## KEY STUDY ASSUMPTIONS

**Inflation and Growth Projections:** To develop a 10-year financial plan for the sanitation utility, the following projected inflation and customer growth assumptions were used:

- ✓ According to City projections, customer growth per year from FY 2017/18 through FY 2021/22 is approximately: 0.27 percent, 0.27 percent, 3.17 percent, 0 percent, and 0 percent.
- ✓ General costs are inflated at 3 percent annually.
- ✓ Labor costs and retirement benefit costs are inflated at 3 percent annually.
- ✓ Health benefits costs are inflated at 4 percent annually.
- ✓ Natural gas costs are inflated by 4 percent annually.
- ✓ Electricity costs are inflated by 4.4 percent annually.
- ✓ San Diego Metro costs are inflated at 6.7 percent in FY 2016/17 and 2017/18, 6.9 percent in FY 2018/19, and 3 percent thereafter.
- ✓ Sewage Transportation costs are inflated at 1.6 percent annually.
- ✓ No inflation is added to other budget items, such as Sewer Capacity Fee revenue.

The following sections provide an overview of the financial forecast.

## DISTRICT REVENUE REQUIREMENTS

It is important for municipal utilities to maintain reasonable reserves in order to handle minor emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs, and maintain sufficient reserve funds. The current condition of the District, with regard to these objectives, is as follows:

- **Meeting Net Revenue Requirements:** The sanitation District currently collects sufficient revenue to fund all operating expenses. However, due to non-operating expenses (namely, capital projects), reserves are expected to slowly be depleted over time, if no adjustment is made to rates in the next 5 years. For FY 2016/17 through 2020/21, the projected net revenue requirement (that is, total annual expenses plus rate-funded capital costs, less non-rate revenues) ranges from approximately \$4.8 million to \$5.5 million. It is assumed in the analysis that the utility will continue with a consistent level of expenditures in future years, and that minor increases to rate revenue (2.0 percent annually) will be needed beginning in FY 2018/19.
- **Building and Maintaining Reserve Funds:** The District should maintain sufficient reserves for the utility. NBS recommends that the District consider increasing its *minimum* reserve fund targets to the metrics described below. As the study continues, these targets may be modified if needed, like all other assumptions made in this study and a revised financial plan will be provided during the second phase of this study.
  - ✓ **Operating Reserve** – should equal 180 days of the Utility's budgeted annual operating expenses, which is equal to a 6-month (or 50 percent) cash reserve for normal operations. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (for example, volumetric charges), and—particularly in periods of economic distress—changes or trends in age of receivables. NBS recommends increasing the operating reserve above the existing target of 40 percent.

The Government Finance Officers Association (GFOA) recommends that an enterprise fund begin with an operating reserve target of 90 days and adjust based upon “the particular characteristics”<sup>3</sup> of that fund. The following are the primary characteristics of the District that lead to NBS' recommendation of a higher (180-day) operating reserve:

<sup>3</sup> *Determining the Appropriate Levels of Working Capital in Enterprise Funds*, <http://www.gfoa.org/determining-appropriate-levels-working-capital-enterprise-funds>.



- **Cash cycles** – The District experiences high peaks and valleys in its cash position throughout the year due to semi-annual revenue collection.
  - **Control over expenses** – The District has limited control<sup>4</sup>, of San Diego Metro's (Metro) costs, which are 30 to 40 percent of the District's total expenditures.
  - **Transfers out** – The District pays an overhead expense to the general fund for administration costs.
- ✓ **Rate Stabilization Reserve** – is currently maintained and equal to 1 year of Metro costs, per existing District practice. NBS recommends that the District maintain this reserve as a hedge against the need for unexpected future rate increases.
- ✓ **Establishing a Capital Rehabilitation & Replacement Reserve** – a capital reserve should typically be equal to a minimum of 3 percent of net depreciable capital assets, which equates to a 33-year replacement cycle for capital assets. This target serves simply as a starting point for addressing long-term capital system replacement needs. Total net depreciable capital assets valuation used to establish this reserve target should include 1.31 percent of Metro's net depreciable capital assets. The 1.31 percent represents the District's expected share of Metro's of FY 2016/17 Capital Improvement Costs.
- ✓ **Establishing a Connection Fee Fund:** NBS recommends that the District create a separate fund to maintain connection fee revenue pursuant to California Government Code §66013(6)(c), which states:

*"A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) [the connection fee] shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected. Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund."*

**Figure 1** summarizes the sources and uses of funds, net revenue requirements, and *preliminary* recommended annual percent increases in total rate revenue for the next 5 years. As these figures show, should the District forego a rate increase for FY 2016/17 the fund should still expect surpluses in subsequent years. These surpluses are used to maintain reserves at recommended levels and to fund the District's capital improvement program.

**Figure 1. Summary of Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Prevailing Rates	\$ 5,903,000	\$ 5,903,000	\$ 5,919,053	\$ 5,935,106	\$ 6,123,159	\$ 6,123,159
Other Operating Revenue	587,434	3,000	3,008	3,016	3,112	3,112
Interest Earnings (in Operating & Capital Reserves)	21,800	6,178	12,305	19,350	27,090	34,888
<b>Total Sources of Funds</b>	<b>\$ 6,512,234</b>	<b>\$ 5,912,178</b>	<b>\$ 5,934,366</b>	<b>\$ 5,957,473</b>	<b>\$ 6,153,360</b>	<b>\$ 6,161,158</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 4,941,700	\$ 4,921,045	\$ 5,160,479	\$ 5,418,515	\$ 5,581,746	\$ 5,749,924
Prepayment PERS	1,828,316	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-
<b>Total Use of Funds</b>	<b>\$ 6,770,016</b>	<b>\$ 4,921,045</b>	<b>\$ 5,160,479</b>	<b>\$ 5,418,515</b>	<b>\$ 5,581,746</b>	<b>\$ 5,749,924</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (257,782)</b>	<b>\$ 991,132</b>	<b>\$ 773,887</b>	<b>\$ 538,958</b>	<b>\$ 571,615</b>	<b>\$ 411,234</b>
Additional Revenue from Rate Increases	-	-	-	118,702	247,376	374,786
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (257,782)</b>	<b>\$ 991,132</b>	<b>\$ 773,887</b>	<b>\$ 657,660</b>	<b>\$ 818,990</b>	<b>\$ 786,021</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>Cumulative Rate Increases</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>4.04%</b>	<b>6.12%</b>
<b>Net Revenue Requirement</b>	<b>\$ 6,160,782</b>	<b>\$ 4,911,868</b>	<b>\$ 5,145,166</b>	<b>\$ 5,396,148</b>	<b>\$ 5,551,544</b>	<b>\$ 5,711,924</b>

<sup>4</sup> Through the Metro Wastewater Joint Powers Authority (JPA).

# Attachment B

**Figure 2** summarizes the sources of funding that will be used to fund the District's Capital Improvement Program. As this figure shows, the District will be able to fully fund the planned capital expenditures with funds held in reserves.

**Figure 2. Capital Funding Summary**

Capital Funding Summary	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Sources of Capital Funding:</b>						
Capital Rehabilitation & Replacement Reserve	\$ 742,500	\$ 1,493,500	\$ 1,432,215	\$ 1,475,181	\$ 1,519,437	\$ 1,565,020
Rate Revenue	-	-	-	-	-	-
<b>Total: Sources of Capital Funding</b>	<b>\$ 742,500</b>	<b>\$ 1,493,500</b>	<b>\$ 1,432,215</b>	<b>\$ 1,475,181</b>	<b>\$ 1,519,437</b>	<b>\$ 1,565,020</b>
<b>Planned Capital Expenditures:</b>						
Annual Sewer Maintenance Rehab (Design)	\$ 80,000	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927
Annual Sewer Maintenance Rehab (Construction)	662,500	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274
Sanitary Sewer Master Plan Update	-	103,000	-	-	-	-
Sewer Main Maintenance	-	257,500	265,225	273,182	281,377	289,819
<b>Total: Planned Capital Expenditures</b>	<b>\$ 742,500</b>	<b>\$ 1,493,500</b>	<b>\$ 1,432,215</b>	<b>\$ 1,475,181</b>	<b>\$ 1,519,437</b>	<b>\$ 1,565,020</b>

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the next 5 years. The impact of the reserve funded capital projects can be seen, drawing down the Capital Rehabilitation & Replacement Reserve more than 33 percent by FY 2020/21. Figure 3 also shows the Rate Stabilization Reserve target increasing, as San Diego Metro costs are expected to increase over the next 5 years.

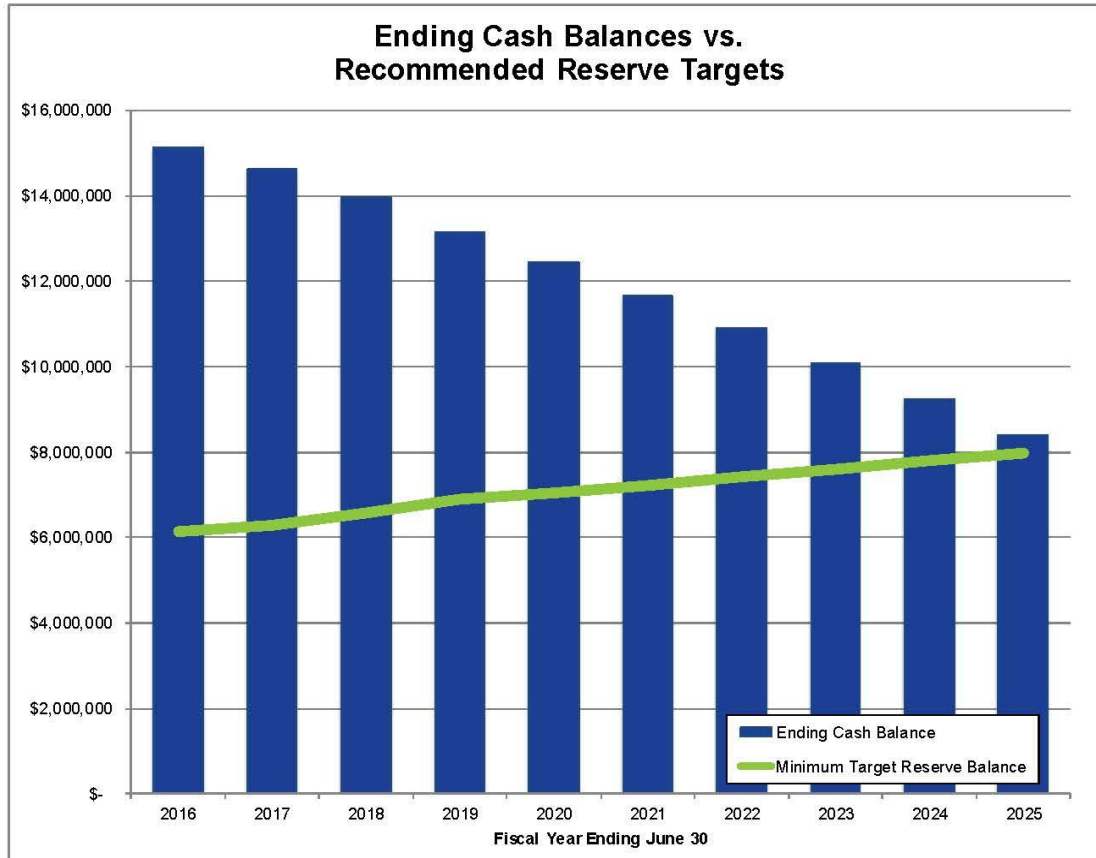
**Figure 3. Summary of Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected				
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<b>Operating Reserve</b>						
Ending Balance	\$ 2,471,000	\$ 2,461,000	\$ 2,580,000	\$ 2,709,000	\$ 2,791,000	\$ 2,875,000
<i>Recommended Minimum Target</i>	<i>2,471,000</i>	<i>2,461,000</i>	<i>2,580,000</i>	<i>2,709,000</i>	<i>2,791,000</i>	<i>2,875,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 10,341,518	\$ 9,694,340	\$ 8,751,830	\$ 7,623,798	\$ 6,756,988	\$ 5,807,095
<i>Recommended Minimum Target</i>	<i>1,354,500</i>	<i>1,357,300</i>	<i>1,358,300</i>	<i>1,360,400</i>	<i>1,363,800</i>	<i>1,368,500</i>
<b>Rate Stabilization Reserve</b>						
Ending Balance	\$ 2,310,600	\$ 2,465,410	\$ 2,630,593	\$ 2,812,104	\$ 2,896,467	\$ 2,983,361
<i>Recommended Minimum Target</i>	<i>2,310,600</i>	<i>2,465,410</i>	<i>2,630,593</i>	<i>2,812,104</i>	<i>2,896,467</i>	<i>2,983,361</i>
<b>Total Ending Balance</b>	<b>\$ 15,123,118</b>	<b>\$ 14,620,750</b>	<b>\$ 13,962,423</b>	<b>\$ 13,144,901</b>	<b>\$ 12,444,455</b>	<b>\$ 11,665,456</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 6,136,100</i>	<i>\$ 6,283,710</i>	<i>\$ 6,568,893</i>	<i>\$ 6,881,504</i>	<i>\$ 7,051,267</i>	<i>\$ 7,226,861</i>

**Figure 4** shows the ten-year projection of reserve fund balances compared to target reserves for the Utility. This figure demonstrates that existing reserve funds will be spent down over the next 5 years on capital improvement projects, and by the end of the ten-year period, reserves will be very close to the minimum reserve targets.



Figure 4. Ten Year Reserve Fund Projection



# Attachment B

## CONSULTANT RECOMMENDATION

NBS recommends that Lemon Grove Sanitation District maintain the existing sewer rates for FY 2016/17, until Phase 2 of the rate study is completed. The financial plan presented in this technical memorandum demonstrates that the utility is projected to meet its annual revenue requirements and maintain healthy reserves, without a rate adjustment, for approximately 2 years. Upon completion of the study, NBS will provide the District with recommendations and proposed sewer rates for a 5-year period.

*Note: The attached Technical Appendix provides more detailed information on the analysis of the revenue requirements that have been summarized in this report.*

## NBS' PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this memorandum and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters that may occur in the future. This information and assumptions, including Lemon Grove Sanitation District's budgets, capital improvement costs, and information from District staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

**TECHNICAL APPENDIX**

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections  
Preliminary Draft: Do Not Cite or Distribute

Financial Plan & Reserve Summary

TABLE 1  
FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Budget		Projected							
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Sources of Sewer Funds</b>										
Rate Revenue Under Current Rates (1, 2)	\$ 5,903,000	\$ 5,903,000	\$ 5,919,053	\$ 5,935,108	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371
Other Operating Revenue	587,434	3,000	3,008	3,016	3,112	3,112	3,112	3,112	3,112	3,145
Interest Earnings (in Operating Reserve) (3)	21,800	6,178	12,305	19,350	27,090	34,888	43,125	51,835	61,020	62,860
<b>Total Sources of Funds</b>	<b>\$ 6,512,234</b>	<b>\$ 5,912,178</b>	<b>\$ 5,934,366</b>	<b>\$ 5,957,473</b>	<b>\$ 6,153,360</b>	<b>\$ 6,161,158</b>	<b>\$ 6,169,395</b>	<b>\$ 6,178,105</b>	<b>\$ 6,187,290</b>	<b>\$ 6,253,376</b>
<b>Uses of Sewer Funds</b>										
Operating Expenses (4):										
Salaries	\$ 795,000	\$ 795,000	\$ 818,850	\$ 843,416	\$ 868,718	\$ 894,780	\$ 921,623	\$ 949,272	\$ 977,750	\$ 1,007,082
Benefits	331,900	246,895	255,651	264,723	274,124	283,865	293,959	304,419	315,259	326,492
Other Operating Expenses	2,949,800	3,014,150	3,195,028	3,392,697	3,493,695	3,597,714	3,704,845	3,815,181	3,928,820	4,045,859
Transfers	865,000	865,000	890,950	917,679	945,209	973,565	1,002,772	1,032,855	1,063,841	1,095,756
<b>Subtotal: Operating Expenses</b>	<b>\$ 4,941,700</b>	<b>\$ 4,921,045</b>	<b>\$ 5,160,479</b>	<b>\$ 5,418,515</b>	<b>\$ 5,581,746</b>	<b>\$ 5,749,924</b>	<b>\$ 5,923,199</b>	<b>\$ 6,101,728</b>	<b>\$ 6,285,669</b>	<b>\$ 6,475,189</b>
Other Expenditures:										
Prepayment PERS	\$ 1,828,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Service	-	-	-	-	-	-	-	-	-	-
Future Debt Service	-	-	-	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-	-	-	-	206,727
<b>Subtotal: Other Expenditures</b>	<b>\$ 1,828,316</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 206,727</b>
<b>Total Uses of Sewer Funds</b>	<b>\$ 6,770,016</b>	<b>\$ 4,921,045</b>	<b>\$ 5,160,479</b>	<b>\$ 5,418,515</b>	<b>\$ 5,581,746</b>	<b>\$ 5,749,924</b>	<b>\$ 5,923,199</b>	<b>\$ 6,101,728</b>	<b>\$ 6,285,669</b>	<b>\$ 6,681,917</b>
plus: Revenue from Rate Increases	-	-	-	118,702	247,376	374,786	504,745	670,443	840,283	1,025,006
<b>Annual Surplus/(Deficit)</b>	<b>\$ (257,782)</b>	<b>\$ 991,132</b>	<b>\$ 773,887</b>	<b>\$ 657,660</b>	<b>\$ 818,990</b>	<b>\$ 786,021</b>	<b>\$ 750,942</b>	<b>\$ 746,821</b>	<b>\$ 741,904</b>	<b>\$ 596,466</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 6,160,782</b>	<b>\$ 4,911,868</b>	<b>\$ 5,145,166</b>	<b>\$ 5,396,148</b>	<b>\$ 5,551,544</b>	<b>\$ 5,711,924</b>	<b>\$ 5,876,962</b>	<b>\$ 6,046,781</b>	<b>\$ 6,221,537</b>	<b>\$ 6,615,912</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 5,903,000</b>	<b>\$ 5,903,000</b>	<b>\$ 5,919,053</b>	<b>\$ 6,053,809</b>	<b>\$ 6,370,534</b>	<b>\$ 6,497,945</b>	<b>\$ 6,627,904</b>	<b>\$ 6,793,601</b>	<b>\$ 6,963,441</b>	<b>\$ 7,212,378</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>
Cumulative Increase from Annual Revenue Increases	0.00%	0.00%	0.00%	2.00%	4.04%	6.12%	8.24%	10.99%	13.72%	16.57%
Debt Coverage After Rate Increase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. FY 2015/16 Revenues are from the City's General Ledger (file: Budget Status 2015-16.pdf).
2. For the purposes of this analysis, NBS has assumed 0.00% growth as a conservative estimate.
3. Interest earnings are per the City's Summary Budget in FY 2015/16, and calculated in the Financial Plan for all future years.
4. The FY 2015/16 operating expenses are from the City's budget. Inflationary factors are applied to these expenses to project costs in 2016/17 and beyond.

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Financial Plan and Reserve Projections  
Preliminary Draft: Do Not Cite or Distribute

Financial Plan & Reserve Summary

TABLE 2  
RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Budget	Budget	Projected							
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Total Beginning Cash</b>	<b>\$ 16,123,400</b>									
<b>Operating Reserve</b>										
Beginning Reserve Balance (1)	\$ 10,447,068	\$ 2,471,000	\$ 2,461,000	\$ 2,580,000	\$ 2,709,000	\$ 2,791,000	\$ 2,875,000	\$ 2,962,000	\$ 3,051,000	\$ 3,143,000
Plus: Net Cash Flow (After Rate Increases)	(257,782)	951,132	773,887	657,660	818,990	786,021	750,942	746,821	741,904	586,468
Net: Transfer From / (To) Rate Stabilization Reserve	-	(154,810)	(165,182)	(181,511)	(84,363)	(86,894)	(89,501)	(92,186)	(94,951)	(97,800)
Less: Transfer Out to Capital Replacement Reserve	(7,718,306)	(846,322)	(489,705)	(347,149)	(652,627)	(615,127)	(574,441)	(565,635)	(554,953)	(403,666)
<b>Ending Operating Reserve Balance</b>	<b>\$ 2,471,000</b>	<b>\$ 2,461,000</b>	<b>\$ 2,580,000</b>	<b>\$ 2,709,000</b>	<b>\$ 2,791,000</b>	<b>\$ 2,875,000</b>	<b>\$ 2,962,000</b>	<b>\$ 3,051,000</b>	<b>\$ 3,143,000</b>	<b>\$ 3,238,000</b>
<b>Target Ending Balance (50% of O&amp;M) (2)</b>	<b>\$ 2,471,000</b>	<b>\$ 2,461,000</b>	<b>\$ 2,580,000</b>	<b>\$ 2,709,000</b>	<b>\$ 2,791,000</b>	<b>\$ 2,875,000</b>	<b>\$ 2,962,000</b>	<b>\$ 3,051,000</b>	<b>\$ 3,143,000</b>	<b>\$ 3,238,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>										
Beginning Reserve Balance (3)	\$ 3,365,712	\$ 10,341,518	\$ 9,694,340	\$ 8,751,830	\$ 7,623,798	\$ 6,756,988	\$ 5,807,095	\$ 4,870,562	\$ 3,879,894	\$ 2,831,854
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surpluses	7,718,306	846,322	489,705	347,149	652,627	615,127	574,441	565,635	554,953	403,666
Less: Use of Reserves for Capital Projects	(742,500)	(1,493,500)	(1,432,215)	(1,475,181)	(1,519,437)	(1,565,020)	(1,510,874)	(1,556,303)	(1,602,992)	(1,444,354)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 10,341,518</b>	<b>\$ 9,694,340</b>	<b>\$ 8,751,830</b>	<b>\$ 7,623,798</b>	<b>\$ 6,756,988</b>	<b>\$ 5,807,095</b>	<b>\$ 4,870,562</b>	<b>\$ 3,879,894</b>	<b>\$ 2,831,854</b>	<b>\$ 1,791,166</b>
<b>Target Ending Balance (5% net assets) (4)</b>	<b>\$ 1,354,500</b>	<b>\$ 1,357,300</b>	<b>\$ 1,358,300</b>	<b>\$ 1,360,400</b>	<b>\$ 1,363,600</b>	<b>\$ 1,368,500</b>	<b>\$ 1,371,400</b>	<b>\$ 1,373,500</b>	<b>\$ 1,380,900</b>	<b>\$ 1,387,500</b>
<b>Rate Stabilization Reserve</b>										
Beginning Reserve Balance (3)	\$ 2,310,800	\$ 2,310,800	\$ 2,465,410	\$ 2,630,593	\$ 2,812,104	\$ 2,896,467	\$ 2,983,361	\$ 3,072,862	\$ 3,165,047	\$ 3,259,999
Net: Transfer From / (To) Operating Reserve	-	154,810	165,182	181,511	84,363	86,894	89,501	92,186	94,951	97,800
<b>Ending Rate Stabilization Reserve Balance</b>	<b>\$ 2,310,800</b>	<b>\$ 2,465,410</b>	<b>\$ 2,630,593</b>	<b>\$ 2,812,104</b>	<b>\$ 2,896,467</b>	<b>\$ 2,983,361</b>	<b>\$ 3,072,862</b>	<b>\$ 3,165,047</b>	<b>\$ 3,259,999</b>	<b>\$ 3,357,799</b>
<b>Target Ending Balance (1 year Metro Costs) (5)</b>	<b>\$ 2,310,800</b>	<b>\$ 2,465,410</b>	<b>\$ 2,630,593</b>	<b>\$ 2,812,104</b>	<b>\$ 2,896,467</b>	<b>\$ 2,983,361</b>	<b>\$ 3,072,862</b>	<b>\$ 3,165,047</b>	<b>\$ 3,259,999</b>	<b>\$ 3,357,799</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 15,123,118</b>	<b>\$ 14,620,750</b>	<b>\$ 13,962,423</b>	<b>\$ 13,144,901</b>	<b>\$ 12,444,455</b>	<b>\$ 11,665,456</b>	<b>\$ 10,905,423</b>	<b>\$ 10,095,941</b>	<b>\$ 9,234,853</b>	<b>\$ 8,386,864</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 6,136,100</b>	<b>\$ 6,283,710</b>	<b>\$ 6,568,893</b>	<b>\$ 6,881,594</b>	<b>\$ 7,051,267</b>	<b>\$ 7,228,881</b>	<b>\$ 7,406,262</b>	<b>\$ 7,591,547</b>	<b>\$ 7,783,899</b>	<b>\$ 7,983,299</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 8,987,018</b>	<b>\$ 8,337,040</b>	<b>\$ 7,393,530</b>	<b>\$ 6,263,398</b>	<b>\$ 5,393,188</b>	<b>\$ 4,436,595</b>	<b>\$ 3,499,162</b>	<b>\$ 2,504,394</b>	<b>\$ 1,450,954</b>	<b>\$ 403,666</b>
<b>Restricted Reserves:</b>										
<b>Connection Fee Reserve</b>										
Beginning Reserve Balance	\$ -	\$ 17,000	\$ 34,043	\$ 51,213	\$ 68,597	\$ 86,283	\$ 104,361	\$ 122,927	\$ 142,078	\$ 161,920
Plus: Interest Earnings	-	43	170	384	686	1,079	1,565	2,151	2,842	3,238
Plus: Connection Fee Revenue	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	<b>\$ 17,000</b>	<b>\$ 34,043</b>	<b>\$ 51,213</b>	<b>\$ 68,597</b>	<b>\$ 86,283</b>	<b>\$ 104,361</b>	<b>\$ 122,927</b>	<b>\$ 142,078</b>	<b>\$ 161,920</b>	<b>\$ 182,158</b>
<b>Annual Interest Earnings Rate (6)</b>	<b>0.25%</b>	<b>0.25%</b>	<b>0.50%</b>	<b>0.75%</b>	<b>1.00%</b>	<b>1.25%</b>	<b>1.50%</b>	<b>1.75%</b>	<b>2.00%</b>	<b>2.00%</b>

1. Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 15-00-00-1000 for FY 2015/16. Source file: *Detailed Trial Balance Fund 15 2015-16.pdf*.

2. The operating reserve target ending balance recommend to be 180 days or 50% of O&M.

3. Beginning cash balance is from the City's General Ledger Balance Sheet Cash for 16-00-00-1000 for FY 2015/16. Source file: *Detailed Trial Balance Fund 16 2016.pdf*.

Cash is split between Capital Improvement Reserve & Rate Stabilization Reserve.

4. The 3% of Net Asset calculation includes Lemon Grove's FY 2016/17 CIP cost allocation of 1.31% of San Diego Metro Net Capital Assets, and Lemon Grove owned assets.

5. The Rate Stabilization Reserve target ending balance remains equal one year of Metro costs matching the previous study (page 2).

6. Historical interest earning rates were referenced on the California Treasurer's Office website for funds invested in LAIF.

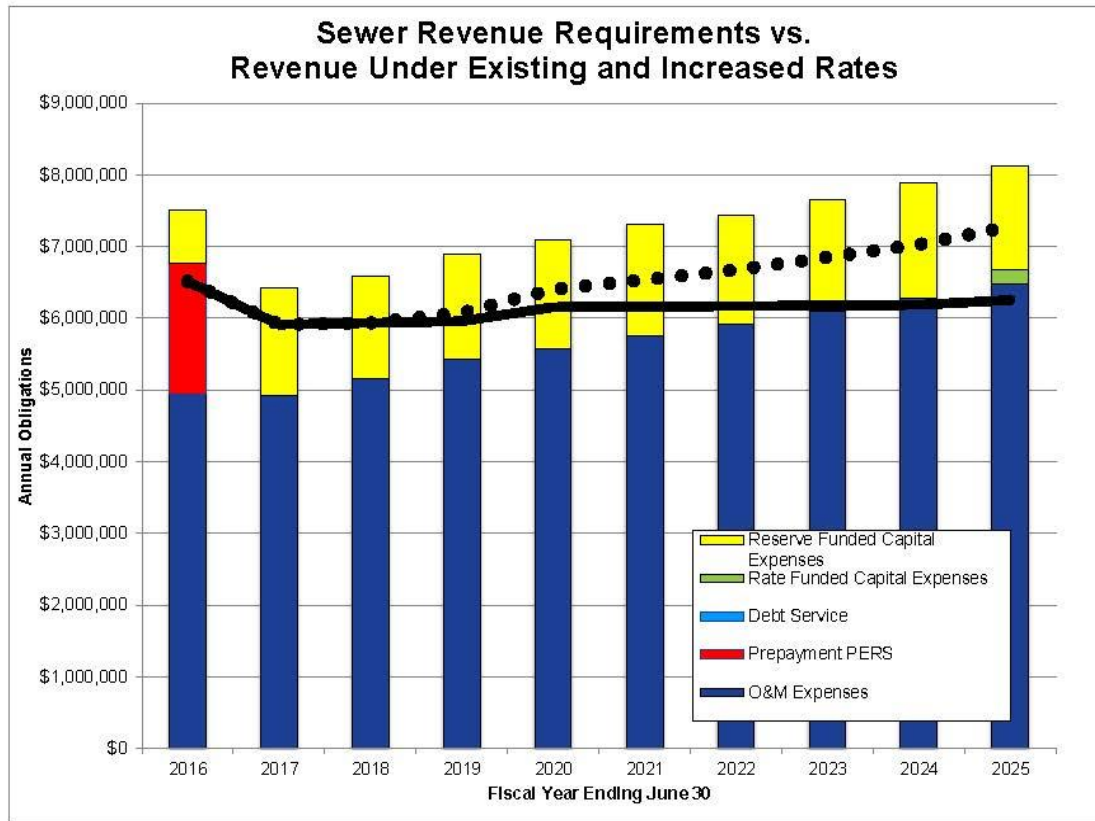
Future years' earnings were conservatively estimated through 2022 and phased into the historical 10 year average interest earnings rate.



# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables  
*Preliminary Draft: Do Not Cite or Distribute*

GRAPH 1

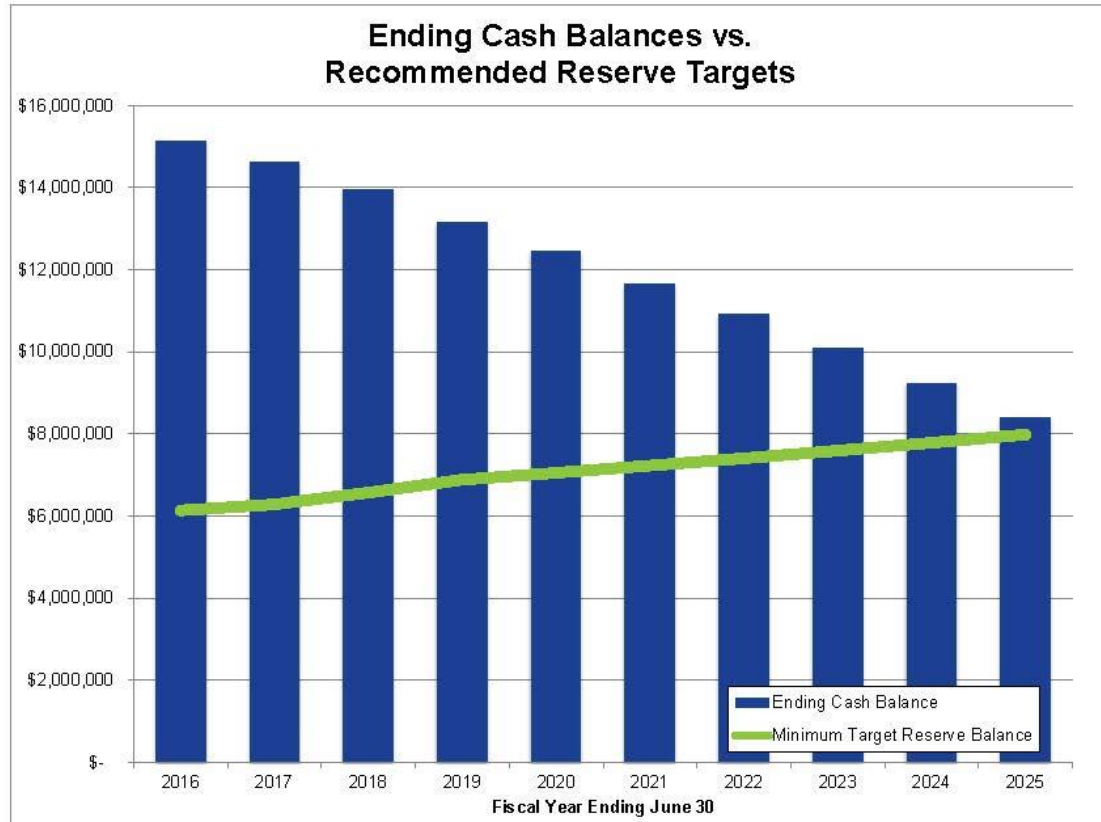


NBS - Local Government Solutions  
Web: [www.nbsgov.com](http://www.nbsgov.com) Toll-Free 800.676.7516

Charts and Tables  
Page 3 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables  
*Preliminary Draft: Do Not Cite or Distribute*

GRAPH 2



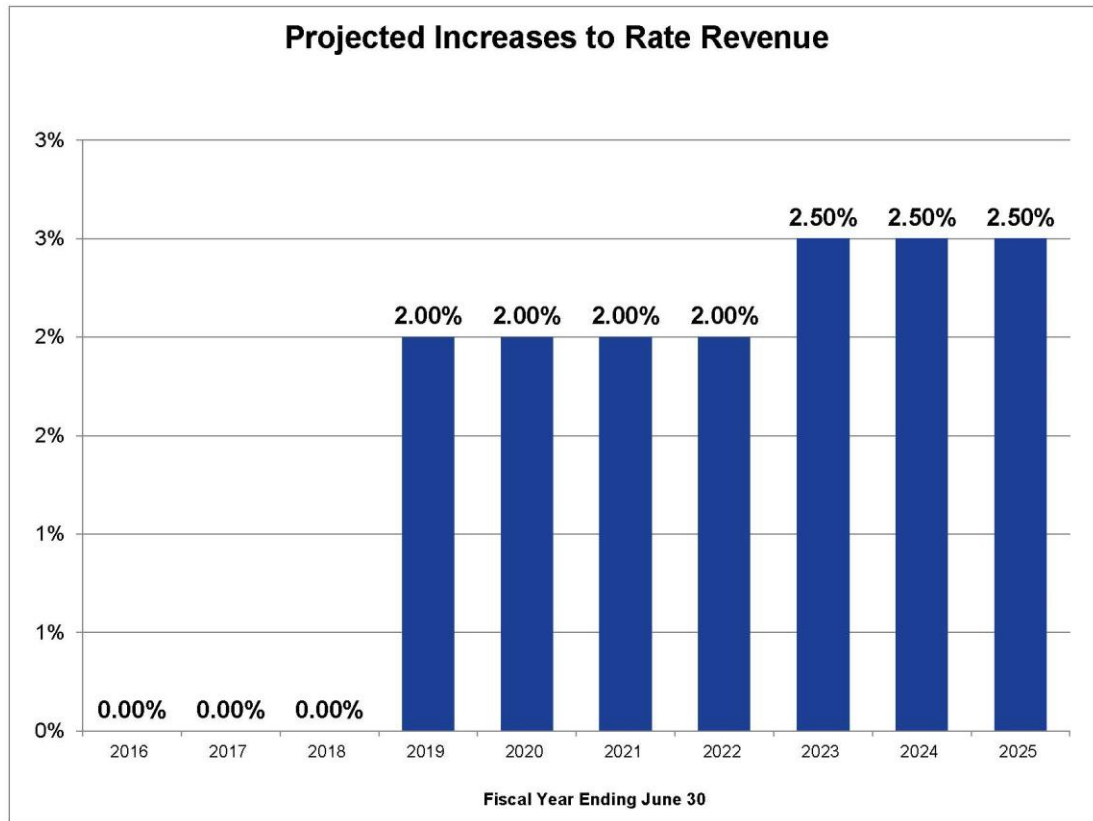
NBS - Local Government Solutions  
Web: [www.nbsgov.com](http://www.nbsgov.com) Toll Free 800.676.7516

Charts and Tables  
Page 4 of 11

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Rate Adjustment Charts and Report Tables  
*Preliminary Draft: Do Not Cite or Distribute*

GRAPH 3



NBS - Local Government Solutions  
Web: [www.nbsgov.com](http://www.nbsgov.com) Toll-Free 800.676.7516

Charts and Tables  
Page 5 of 11

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses  
*Preliminary Draft: Do Not Cite or Distribute*

EXHIBIT 1

TABLE 3  
REVENUE FORECAST (1)

SOURCES OF REVENUE	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>R11 Miscellaneous Revenue</b>											
4370 Other Revenue (2)	1	\$ 587,434	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145
<b>R14 Interest &amp; Investment Income</b>											
4420 Interest (3)	See FP	\$ 21,800	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4430 Interest - Property Tax	See FP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>R16 Grant Revenue</b>											
4430 Cost Recovery	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>R17 All Other Revenue</b>											
4595 Sewer Capacity Fee	9	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
4600 Sewer Service Fee	1	\$ 5,853,000	\$ 5,853,000	\$ 5,868,917	\$ 5,884,834	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,071,294	\$ 6,134,963
4605 Sewer Service - LGSD La Mesa SD	1	\$ 50,000	\$ 50,000	\$ 50,136	\$ 50,272	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 51,865	\$ 52,409
<b>TOTAL: REVENUE</b>		<b>\$ 6,529,234</b>	<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>

TABLE 4

REVENUE SUMMARY	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Sewer Operations - 15:</b>										
Sewer Rate Revenue	\$ 5,903,000	\$ 5,903,000	\$ 5,919,053	\$ 5,935,108	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,123,159	\$ 6,187,371
Other Operating Revenue	\$ 587,434	\$ 3,000	\$ 3,008	\$ 3,016	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,112	\$ 3,145
Interest Earnings	\$ 21,800	\$ 21,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Capacity Fee	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
<b>Subtotal: Sewer Operations Revenue</b>	<b>\$ 6,529,234</b>	<b>\$ 5,944,800</b>	<b>\$ 5,939,061</b>	<b>\$ 5,955,123</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,143,270</b>	<b>\$ 6,207,516</b>

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses  
*Preliminary Draft: Do Not Cite or Distribute*

EXHIBIT 1

TABLE 5  
OPERATING EXPENSE FORECAST (4):

Sewer Fund Operations	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>E05 Salaries</b>											
5000 Salaries	3	\$ 765,800	\$ 765,800	\$ 788,774	\$ 812,437	\$ 836,810	\$ 861,915	\$ 887,772	\$ 914,405	\$ 941,837	\$ 970,093
5040 Overtime	3	\$ 14,200	\$ 14,200	\$ 14,626	\$ 15,065	\$ 15,517	\$ 15,982	\$ 16,462	\$ 16,956	\$ 17,464	\$ 17,988
5050 Extra Help	3	\$ 15,000	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389	\$ 17,911	\$ 18,448	\$ 19,002
<b>Subtotal: E05 Salaries</b>		<b>\$ 795,000</b>	<b>\$ 795,000</b>	<b>\$ 818,850</b>	<b>\$ 843,416</b>	<b>\$ 868,718</b>	<b>\$ 894,780</b>	<b>\$ 921,623</b>	<b>\$ 949,272</b>	<b>\$ 977,750</b>	<b>\$ 1,007,082</b>
<b>E10 Benefits</b>											
5060 Health Benefits	4	\$ 98,700	\$ 98,700	\$ 102,648	\$ 106,754	\$ 111,024	\$ 115,465	\$ 120,084	\$ 124,887	\$ 129,882	\$ 135,078
5070 Health Benefits - Retirees	4	\$ 15,500	\$ 15,500	\$ 16,120	\$ 16,765	\$ 17,435	\$ 18,133	\$ 18,858	\$ 19,612	\$ 20,397	\$ 21,213
5080 Deferred Comp	3	\$ 1,700	\$ 1,700	\$ 1,751	\$ 1,804	\$ 1,858	\$ 1,913	\$ 1,971	\$ 2,030	\$ 2,091	\$ 2,154
590 Employee Assistance Program	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5150 Worker's Comp Insurance	3	\$ 30,000	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778	\$ 35,822	\$ 36,896	\$ 38,003
5160 Medicare Insurance	4	\$ 13,500	\$ 13,500	\$ 14,040	\$ 14,602	\$ 15,186	\$ 15,793	\$ 16,425	\$ 17,082	\$ 17,765	\$ 18,476
5170 Life Insurance	4	\$ 1,200	\$ 1,200	\$ 1,248	\$ 1,298	\$ 1,350	\$ 1,404	\$ 1,460	\$ 1,518	\$ 1,579	\$ 1,642
5180 Long Term Disability	4	\$ 6,000	\$ 6,000	\$ 6,240	\$ 6,490	\$ 6,749	\$ 7,019	\$ 7,300	\$ 7,592	\$ 7,896	\$ 8,211
5190 Retirement	5	\$ 165,300	\$ 80,295	\$ 82,704	\$ 85,185	\$ 87,741	\$ 90,373	\$ 93,084	\$ 95,876	\$ 98,753	\$ 101,715
5200 Unemployment	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E10 Benefits</b>		<b>\$ 331,900</b>	<b>\$ 246,895</b>	<b>\$ 255,651</b>	<b>\$ 264,723</b>	<b>\$ 274,124</b>	<b>\$ 283,865</b>	<b>\$ 293,959</b>	<b>\$ 304,419</b>	<b>\$ 315,259</b>	<b>\$ 326,492</b>
<b>E15 Benefits - Retirement</b>											
6141 PERS UAL Payments	3	\$ 1,828,316	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6501 Transfer To PERS Unfunded Liab	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: E05 Benefits - Retirement</b>		<b>\$ 1,828,316</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 2,955,216</b>	<b>\$ 1,041,895</b>	<b>\$ 1,074,501</b>	<b>\$ 1,108,139</b>	<b>\$ 1,142,842</b>	<b>\$ 1,178,645</b>	<b>\$ 1,215,582</b>	<b>\$ 1,253,691</b>	<b>\$ 1,293,009</b>	<b>\$ 1,333,574</b>



CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses  
Preliminary Draft: Do Not Cite or Distribute

EXHIBIT 1

TABLE 6  
OPERATING EXPENSE FORECAST (4):

Sewer Fund Operations	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>E40 Other Operating Expenses</b>											
5410 Claims Paid	2	\$ 5,000	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335
5440 Computer Maintenance	2	\$ 46,600	\$ 46,600	\$ 47,998	\$ 49,438	\$ 50,921	\$ 52,449	\$ 54,022	\$ 55,643	\$ 57,312	\$ 59,031
5470 Contract Services	2	\$ 55,000	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673	\$ 67,643	\$ 69,672
5490 Copier Service	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5620 Emergency Callout & Repair	2	\$ 5,000	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334
5640 Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5650 Equipment Rental	2	\$ -	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334
5655 Estimated Claims Payable	2	\$ 170,000	\$ 20,000	\$ 20,600	\$ 21,218	\$ 21,855	\$ 22,510	\$ 23,185	\$ 23,881	\$ 24,597	\$ 25,335
5700 Fuel	7	\$ 9,100	\$ 15,100	\$ 15,704	\$ 16,332	\$ 16,985	\$ 17,665	\$ 18,371	\$ 19,106	\$ 19,871	\$ 20,665
5710 General Expenditure	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5750 Industrial Enforcement	2	\$ 10,000	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668
5760 Insurance - Liability	2	\$ 48,800	\$ 48,800	\$ 50,264	\$ 51,772	\$ 53,325	\$ 54,925	\$ 56,573	\$ 58,270	\$ 60,018	\$ 61,818
5770 Insurance - Property	2	\$ 7,700	\$ 7,700	\$ 7,931	\$ 8,169	\$ 8,414	\$ 8,666	\$ 8,926	\$ 9,194	\$ 9,470	\$ 9,754
5930 Line Cleaning	2	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5950 Litigation Services	2	\$ 60,000	\$ 60,000	\$ 61,800	\$ 63,654	\$ 65,564	\$ 67,531	\$ 69,556	\$ 71,643	\$ 73,792	\$ 76,006
5990 Medical Examinations	2	\$ 400	\$ 400	\$ 412	\$ 424	\$ 437	\$ 450	\$ 464	\$ 478	\$ 492	\$ 507
6020 Membership & Dues	2	\$ 2,000	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534
6030 Metro Annual Capacity & Treatment	10	\$ 2,310,600	\$ 2,465,410	\$ 2,630,593	\$ 2,812,104	\$ 2,896,467	\$ 2,983,361	\$ 3,072,862	\$ 3,165,047	\$ 3,259,999	\$ 3,357,799
6040 Mileage	2	\$ 9,000	\$ 9,000	\$ 9,270	\$ 9,548	\$ 9,835	\$ 10,130	\$ 10,433	\$ 10,746	\$ 11,069	\$ 11,401
6060 Sewage Transportation	11	\$ 65,000	\$ 66,040	\$ 67,097	\$ 68,170	\$ 69,261	\$ 70,369	\$ 71,495	\$ 72,639	\$ 73,801	\$ 74,982
6090 Office Supplies	2	\$ 2,000	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534
6140 Personnel Recruitment	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6150 Professional Services	2	\$ 30,000	\$ 72,500	\$ 74,675	\$ 76,915	\$ 79,223	\$ 81,599	\$ 84,047	\$ 86,569	\$ 89,166	\$ 91,841
6160 Protective Clothing	2	\$ 4,000	\$ 4,000	\$ 4,120	\$ 4,244	\$ 4,371	\$ 4,502	\$ 4,637	\$ 4,776	\$ 4,919	\$ 5,067
6170 Repairs & Maintenance	2	\$ 5,400	\$ 5,400	\$ 5,562	\$ 5,729	\$ 5,901	\$ 6,078	\$ 6,260	\$ 6,448	\$ 6,641	\$ 6,841
6180 Repairs & Maintenance - Equipment	2	\$ 10,000	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669
6190 Repairs & Maintenance - Vehicles	2	\$ 10,000	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668
6200 Restoration Services	2	\$ 10,000	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668
6210 Street Sweeping	2	\$ 18,000	\$ 18,000	\$ 18,540	\$ 19,096	\$ 19,669	\$ 20,259	\$ 20,867	\$ 21,493	\$ 22,138	\$ 22,802
6220 Tools & Supplies	2	\$ 11,000	\$ 11,000	\$ 11,330	\$ 11,670	\$ 12,020	\$ 12,381	\$ 12,752	\$ 13,135	\$ 13,529	\$ 13,934
6230 Traffic Safety Equipment	2	\$ 500	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633
6240 Training	2	\$ 10,000	\$ 10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668
6250 Travel & Meetings	2	\$ 2,000	\$ 2,000	\$ 2,060	\$ 2,122	\$ 2,185	\$ 2,251	\$ 2,319	\$ 2,388	\$ 2,460	\$ 2,534
6260 Utilities - Gas & Electric	7	\$ 700	\$ 700	\$ 728	\$ 757	\$ 787	\$ 819	\$ 852	\$ 886	\$ 921	\$ 958
6270 Utilities - Telephone	2	\$ 4,500	\$ 4,500	\$ 4,635	\$ 4,774	\$ 4,917	\$ 5,065	\$ 5,217	\$ 5,373	\$ 5,534	\$ 5,700
6280 Utilities - Water	2	\$ 2,500	\$ 2,500	\$ 2,575	\$ 2,652	\$ 2,732	\$ 2,814	\$ 2,898	\$ 2,985	\$ 3,075	\$ 3,167
<b>Subtotal: E15 Other Operating Expenses</b>		<b>\$ 2,949,800</b>	<b>\$ 3,014,150</b>	<b>\$ 3,195,028</b>	<b>\$ 3,392,697</b>	<b>\$ 3,493,695</b>	<b>\$ 3,597,714</b>	<b>\$ 3,704,845</b>	<b>\$ 3,815,181</b>	<b>\$ 3,928,820</b>	<b>\$ 4,045,859</b>
<b>E65 Transfers</b>											
6900 Interfund Transfers - Expenditures (\$	2	\$ 865,000	\$ 865,000	\$ 890,950	\$ 917,679	\$ 945,209	\$ 973,565	\$ 1,002,772	\$ 1,032,855	\$ 1,063,841	\$ 1,095,756
<b>Subtotal: E65 Transfers</b>		<b>\$ 865,000</b>	<b>\$ 865,000</b>	<b>\$ 890,950</b>	<b>\$ 917,679</b>	<b>\$ 945,209</b>	<b>\$ 973,565</b>	<b>\$ 1,002,772</b>	<b>\$ 1,032,855</b>	<b>\$ 1,063,841</b>	<b>\$ 1,095,756</b>
<b>Subtotal: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 3,814,800</b>	<b>\$ 3,879,150</b>	<b>\$ 4,085,978</b>	<b>\$ 4,310,376</b>	<b>\$ 4,438,904</b>	<b>\$ 4,571,279</b>	<b>\$ 4,707,617</b>	<b>\$ 4,848,037</b>	<b>\$ 4,992,661</b>	<b>\$ 5,141,615</b>
<b>Total: Sewer Fund 15 - Sewer Operations</b>		<b>\$ 6,770,016</b>	<b>\$ 4,921,045</b>	<b>\$ 5,160,479</b>	<b>\$ 5,418,515</b>	<b>\$ 5,581,746</b>	<b>\$ 5,749,924</b>	<b>\$ 5,923,199</b>	<b>\$ 6,101,728</b>	<b>\$ 6,285,669</b>	<b>\$ 6,475,189</b>

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Operating Revenue and Expenses  
*Preliminary Draft: Do Not Cite or Distribute*

EXHIBIT 1

TABLE 7  
FORECASTING ASSUMPTIONS:

ECONOMIC VARIABLES	Basis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Customer Growth (6)	1	--	--	0.27%	0.27%	3.17%	0.00%	0.00%	0.00%	0.00%	1.05%
General Cost Inflation	2	--	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation (7)	3	--	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Health Benefits Inflation (7)	4	--	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Retirement Benefits Inflation (7)	5	--	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals (7)	6	--	--	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gas (7)	7	--	--	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Electricity (8)	8	--	--	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
No Escalation	9	--	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
San Diego Metro (9)	10	--	6.70%	6.70%	6.90%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Transportation (10)	11	--	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%

1. Revenues for FY 2015/16 & FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail.4.13.16.pdf*.
2. FY 2015/16 includes a one time settlement from Padre Dam. Source file: *budgetEmail.4.13.16.pdf*.
3. Interest earnings are per the City's Revenue Summary for FY 2015/16 & FY 2016/17, and are calculated in the Financial Plan for all future years.
4. Expenses for FY 2015/16 & FY 2016/17 are from the District's Budget & updated via staff email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail.4.13.16.pdf*.  
Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
5. Expected Interfund Transfers confirmed via email. Source files: *Sanitation Budgets.xlsx*, *budgetEmail.4.13.16.pdf*.
6. Client provided source file: *Lemon Grove Sewage Flow Projections.pdf*, and then actual calculations of raw data was completed in source file: *Lemon Grove Growth Projections.xlsx*.
7. NBS has assumed conservative inflation factors for labor, health benefits, retirement benefits, chemicals and energy costs (January 26, 2016).
8. The source of the electricity inflation factor is the projected nominal escalation rate for 2008-2020, for Southern California Edison customers as referenced in the following study: *The Future of Electricity Prices in California: Understanding Market Drivers and Forecasting Prices to 2040* by Jonathan Cook, PH.D., Energy Efficiency Center, UC Davis.
9. San Diego Metro cost inflation for FY 2017/18 & FY 2018/19 from the City of Imperial Beach Sewer Service Charge & Capacity Fee Study, January 2016, page 2. Then 3% annually.
10. The most current base transportation rate adjusted by the average inflation rate for San Diego per United States Department of Labor, Bureau of Labor Statistics Data.  
Client provided source file: *City of San Diego-Transportation Rate Feb 2016.pdf*, pg. 2.

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures  
*Preliminary Draft: Do Not Cite or Distribute*

EXHIBIT 2

TABLE 8  
CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget		Projected							
	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Funding Sources:										
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
Use of SRF Loan Funding	-	-	-	-	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Improvement Reserve	742,500	1,493,500	1,432,215	1,475,181	1,519,437	1,565,020	1,510,974	1,556,303	1,602,992	1,444,354
Rate Revenue	-	-	-	-	-	-	-	-	-	206,727
<b>Total Sources of Capital Funds</b>	<b>\$ 742,500</b>	<b>\$ 1,493,500</b>	<b>\$ 1,432,215</b>	<b>\$ 1,475,181</b>	<b>\$ 1,519,437</b>	<b>\$ 1,565,020</b>	<b>\$ 1,510,974</b>	<b>\$ 1,556,303</b>	<b>\$ 1,602,992</b>	<b>\$ 1,651,082</b>
Uses of Capital Funds:										
Total Project Costs	\$ 742,500	\$ 1,493,500	\$ 1,432,215	\$ 1,475,181	\$ 1,519,437	\$ 1,565,020	\$ 1,510,974	\$ 1,556,303	\$ 1,602,992	\$ 1,651,082
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CAPITAL IMPROVEMENT PROGRAM

TABLE 9  
Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Federal Blvd Sewer Rehab (Design)	\$ 80,000	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ 600,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ -	\$ 20,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 662,500	\$ 400,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Estimated Future CIP Expenditures (2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,265,417	\$ 1,265,417	\$ 1,265,417	\$ 1,265,417
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 742,500</b>	<b>\$ 1,450,000</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>	<b>\$ 1,350,000</b>	<b>\$ 1,265,417</b>	<b>\$ 1,265,417</b>	<b>\$ 1,265,417</b>	<b>\$ 1,265,417</b>

# Attachment B

CITY OF LEMON GROVE  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures  
*Preliminary Draft: Do Not Cite or Distribute*

EXHIBIT 2

TABLE 10  
Capital Improvement Program Costs (in Future-Year Dollars):

Project Description	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Federal Blvd Sewer Rehab (Design)	\$ 80,000	\$ 82,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Blvd Sewer Rehab (Construction)	\$ -	\$ 618,000	\$ 1,060,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitary Sewer Master Plan Update (including any GP update)	\$ -	\$ 103,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Design)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Main Maintenance Project (Construction)	\$ -	\$ 257,500	\$ 265,225	\$ 273,182	\$ 281,377	\$ 289,819	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation (Design)	\$ -	\$ 20,600	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ -	\$ -	\$ -	\$ -
Sewer Main Rehabilitation Project (Construction)	\$ 662,500	\$ 412,000	\$ -	\$ 1,092,727	\$ 1,125,509	\$ 1,159,274	\$ -	\$ -	\$ -	\$ -
<i>Estimated Future CIP Expenditures</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,510,974	\$ 1,556,303	\$ 1,602,992	\$ 1,651,082
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 742,500</b>	<b>\$ 1,493,500</b>	<b>\$ 1,432,215</b>	<b>\$ 1,475,181</b>	<b>\$ 1,519,437</b>	<b>\$ 1,565,020</b>	<b>\$ 1,510,974</b>	<b>\$ 1,556,303</b>	<b>\$ 1,602,992</b>	<b>\$ 1,651,082</b>

TABLE 11  
FORECASTING ASSUMPTIONS:

Economic Variables	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Annual Construction Cost Inflation, Per Engineering News Record (3)	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2016	1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30

1. Budgeted CIP project costs from source file: *CIP through 2020-21.pdf*.

2. Estimated future CIP set equal to the average annual capital expenditures for FY 2015/16 through FY 2020/21.

3. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2005-2015. Source: Engineering News Record website (<http://enr.construction.com>).

## ORDINANCE NO. 27

### AN ORDINANCE AMENDING ORDINANCE NO. 26 OF THE LEMON GROVE SANITATION DISTRICT DESCRIBING METHODS FOR CALCULATING SEWER USE CHARGES

The Board of Directors of the Lemon Grove Sanitation District does ordain as follows:

**SECTION 1.** Ordinance No. 26, Article III shall be amended to read as follows:

#### ARTICLE III

#### SEWER SERVICE CHARGES

**SECTION 30. ESTABLISHMENT OF SEWER SERVICE CHARGE.** There is hereby levied and assessed upon each premise within the district that discharges sewage into the sewer lines of the District and upon each person owning, letting or occupying such premises an annual sewer service charge.

The annual sewer service charge is made up of two components. The first component is generally based on the District's annual cost to collect and transport wastewater, and is equally divided among the number of equivalent dwelling units (EDUs) connected to the District's system. The second component is generally the District's cost for wastewater treatment and disposal as fees paid to the City of San Diego for capacity and use of the San Diego Metropolitan Sewer System, and is allocated to users of the District's system based on the users generation of annual wastewater flow, biochemical oxygen demand, and suspended solids discharged into the District's system.

For the purpose of this ordinance, the discharge characteristics of an average single family user is one EDU and shall be composed of wastewater flow of 240 gallons per day for 365 days per year and constituent levels of sewage strength of 200 milligrams per liter (mg/l) biochemical oxygen demand (BOD) and 200 milligrams per liter (mg/l) suspended solids (SS).

For the purpose of this ordinance, the discharge characteristics of commercial/industrial users is a minimum sewer capacity of 1.2 EDU for each business unit with flow quantity and strength as measured by BOD and SS as set forth in the current edition of the California State Water Resources Control Board (State) publication "*Policy For Implementing The State Revolving Fund For Construction Of Wastewater Treatment Facilities*", or comparable industry standards acceptable to the State and approved by the District's Engineer. Minimum sewage strength capacity per commercial/industrial EDU is 200 mg/l BOD and mg/l SS.

The flow and strength rate EDUs are determined for individual business units as set forth herein in Section 30.3 and are applicable to each of the various District's users under the jurisdiction of this Ordinance. The District's Engineer shall assign flow rates, BOD, and SS based upon the estimated amount of and strength of wastewater that is typically generated for each business unit. The EDUs, flow rates, BOD, and SS so assigned shall be used in computing the sewer service charges.

If potable water delivered through the water meter is used by the District to estimate the volume of wastewater discharged over a period of time, then 90% of water meter flow is estimated to be discharged into the sewer unless the discharger or legal owner presents evidence to the contrary and this evidence is satisfactory to the District's Engineer. The District's Engineer may adjust the charges for wastewater treatment and disposal in proportion to the estimated volume of wastewater discharged to the sewer.

**SECTION 30.1** Annual Sewer Service charges shall be determined by the following formula (rounded to the nearest dollar):



# Attachment C

$$SSC = (n/N \times D) + (f/F \times M_F) + (s/S \times M_S) + (b/B \times M_b)$$

In the above formula, the following terms have the meanings and definitions as shown:

n = Number of EDUs assigned to a particular user. EDUs are assigned as follows: 1.0 EDU each for single family dwellings, condominiums, each living unit of a multi-family dwelling, and each space for a mobile home park. Commercial/Industrial users are assigned a minimum of 1.2 EDUs, and additional EDUs may be assigned based upon Section 30.3 of this ordinance.

f = Flow of a particular user in million gallons per year, based either upon assigned EDUs or water meter records.

s = Suspended Solids of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.

b = Biochemical Oxygen Demand of a particular user in pounds per year, based either upon State standards or comparable industry standards approved by the State.

N = Total number of EDUs in the District. This is a summation of the EDUs assigned to all users.

D = District budgeted costs for the fiscal year in dollars, to collect and transport wastewater. This is a net cost for District customers after non-operating revenues have been subtracted from the total District budget costs. Such budgeted costs shall include, but not be limited to operation and maintenance costs of pipelines, pump stations, and meter stations; design and construction cost of replacement facilities; and administration costs including fee collection, accounting, record maintenance, planning and code enforcement.

M = Total District budgeted cost for the fiscal year in dollars, for treatment and disposal of wastewater. Such cost shall include, but not necessarily be limited to, fees paid to the City of San Diego for capacity in and use of the Metro System. The Metro treatment and disposal costs are further divided into cost categories as determined by the City of San Diego and allocated as follows: Flow Cost =  $M_F$  (43.7% costs); BOD Cost =  $M_b$  (30.1% of costs) and SS Cost =  $M_S$  (26.2% of costs).

F = Total flow in the District in million gallons per year from a summation of users' flows, based either upon assigned EDUs or potable water meter records.

S = Total Suspended Solids in the District impounds per year, from a summation of users' SS loading, based either upon State standards, or comparable industry standards approved by the State.

B = Total Biochemical Oxygen Demand in the District impounds per year from a summation of users' BOD loading, based either upon State standards, or comparable industry standards approved by the State.

## SECTION 30.2

The SSC for the Lemon Grove Sanitation District for residential units are as follows:

## FISCAL YEAR 2016-2017:

<u>Type</u>	<u>EDU Capacity</u>	<u>Estimated Flow</u>	<u>Annual SSC</u>
Single Family	1	240 gpd	\$553.17
Condominium	1	240 gpd	\$553.17
Multi-Family	1	240 gpd*	\$553.17
Mobile Home	1	240 gpd*	\$553.17

\*Note that rates may be adjusted to reflect flow based upon potable water records.

**SECTION 30.3** Assignment of sewer capacity for Commercial/ Industrial business units shall be assigned in terms of EDUs. The minimum charge per commercial unit shall be 1.2 EDUs or \$600.34 per annum during FY 11/12, \$619.88 per annum during FY 12/13, \$641.54 per annum during FY 13/14, \$652.58 per annum during FY 14/15, and \$663.80 per annum during FY 15/16. Higher charges will be assessed for commercial/industrial EDU's with sewage strength higher than combined 400 mg/l BOD and SS. Flow based sewer capacity to business units shall be assigned as described in Section 50.3.

## **SECTION 50.3 COMMERCIAL/INDUSTRIAL FACILITIES**

Sewer capacity for Commercial/Industrial business units shall be assigned in terms of Equivalent Dwelling Units as follows:

a. Food Service Establishments	<u>EDUs</u>
1) Take-out Restaurants with disposable Utensils, no dishwasher, and no public rest rooms.	3.0
2) Miscellaneous food establishments- ice-cream/yogurt shops, bakeries (sales on premises only).	3.0
3) (I) Take-out/eat in restaurants with disposable utensils, but with seating and public rest rooms.	3.0 minimum
(II) Restaurants with re-usable utensils, seating and public rest rooms.	3.0 minimum

One EDU is assigned for each 6-seat unit as follows:

0 – 18 seats=	3.0 minimum
---------------	-------------

Each additional 6-seat unit will be assigned	1.0
--	-----

b. Hotels and Motels	
1) Per living unit without kitchen	0.38
2) Per living unit with kitchen	0.60
c. Commercial, Professional, Industrial Buildings, Establishments not specifically listed herein.	

## Attachment C

1)	Any office, store, or industrial condominium or establishment. First 1,000 sq. ft.	1.20
	Each additional 1,000 sq. ft. or portion thereof	0.70
2)	Where occupancy type or usage is unknown at the time of application for service, the following EDUs shall apply. This shall include but not be limited to shopping centers, industrial parks, and professional office buildings.	
	First 1,000 square feet of gross building floor area.	1.20
	Each additional 1,000 square feet of gross Building floor area. Portions less than 1,000 square feet will be prorated.	0.70
d.	Self-service laundry per washer	1.00
e.	Churches, theaters and auditoriums per each 150 person seating capacity, or any fraction thereof. (Does not include office spaces school rooms, day care facilities, food preparation areas, etc. Additional EDUs will be assigned for these supplementary uses.)	1.50
f.	Schools	
	Elementary schools for 50 pupils or fewer	1.00
	Junior High Schools for 40 pupils or fewer values	1.00
	High School for 24 pupils or fewer	1.00

Additional EDUs will be prorated based upon the above values.

The number of pupils shall be based on the average daily attendance of pupils at the school during the preceding fiscal year, computed in accordance with the education code of the State of California. However, where the school has had no attendance during the preceding fiscal year, the Director shall estimate the average daily attendance for the fiscal year for which the fee is to be paid and compute the fee based on such estimate.

**SECTION 2.** DATE OF LEVY OF NEW CHARGES. The Charges referenced above shall take effect on July 1, 2016 in the manner allowed by law.